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SUBJECT: EU GRANTS GSP TO THAI SHRIMP IMPORTS

1. Summary: The EU,s reinstatement of Generalized System of Preferences (GSP) benefits for shrimp imports should be a high note for an otherwise hard-hit Thai shrimp industry this year. The reduction in duties for Thai shrimp broadens a previously small market for exporters, but supply issues and the time necessary to reenter the European market in strength means the windfall from duty reduction will not be felt for the near future. End Summary.

2. In a potential boon to Thai shrimp exporters, the European Union announced September 1 that it would temporarily grant GSP treatment for shrimp imports, to become permanent at the end of the year. The EU had promised earlier this year to renew GSP treatment for shrimp imports by April 2005, but then postponed the implementation. The duty on shrimp will be reduced from 12 percent to 4.2 percent for fresh shrimp and from 20 percent to 7 percent for prepared shrimp (Thailand is a major exporter of fresh shrimp). The EU will apply the new duties retroactively to August 1.

3. Somsak Paneetatyasai, President of the Thai Shrimp Association, said he was optimistic that Thai shrimp exporters will be able to regain their former market share in Europe with the lower duties. Before 1997, when GSP benefits were halved, later to be eliminated completely in 1999, Thai exporters controlled nearly 10% of the European market, exporting 33,000 metric tons of shrimp to the EU annually. The loss of GSP benefits slashed imports from Thailand; the export figure for 2004 was only 7,688 metric tons, barely one percent of the EU market. Regaining a 10% market share in Europe would translate into exports of over 70,000 metric tons, approximately 20% of Thailand,s current worldwide shrimp exports.

4. Somsak qualified his prediction of a regained market share, saying that since the EU had been such a minor market for Thai exporters the past six years, the industry would need approximately a year to carry out research and additional marketing before it could rapidly increase exports. Despite this, however, he predicted that exports to the EU would likely double for the rest of 2005 compared to 2004. Somsak was also confident that earlier hygiene difficulties involving antibiotics in shrimp were no longer an obstacle for exports to Europe. Nevertheless, some shrimp exporters were still wary of Europe,s hygiene standards.

5. Shrimp exporters had cited the EU postponement of the reintroduction of GSP benefits as a notable hardship. EU promises to apply GSP in April had led to a stockpiling of inventory among Thai shrimp exporters in anticipation of lower duties. When the GSP benefits failed to materialize, exporters were forced to sell the excess inventory on the U.S. market at reduced prices. Shrimp exporters told Econoff that the continued high EU duties were a significant factor in the reduction in Thai shrimp production for 2005.

6. Shrimp exporters predicted a slight increase in shrimp prices as a result of the reduced duties. Due to predicted continued declines in shrimp production for the rest of 2005, increased demand in Europe will likely result in an upward tick in export prices.

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